



HOUSE OF REPRESENTATIVES

HB 2481

schools; primary property tax rates

Prime Sponsor: Representative Olson, LD 25

DPA Committee on Ways and Means

DPA Caucus and COW

X Transmitted to the Governor

OVERVIEW

HB 2481 outlines the manner in which school district taxes are to be levied and eliminates the 4% cap on school district budget balance carryforwards.

PROVISIONS

1. Requires each county board of supervisors to annually levy school district taxes on the properties in each school district at a rate equal to the lesser of:
 - a. the Qualifying Tax Rate (QTR), and
 - b. the District Support Level/per \$100 of assessed value.
2. Directs each county school superintendent to authorize any additional primary school district tax levy requests outside of the revenue control limit at rates that would result in a levy equaling each of the following:
 - a. The difference between the transportation revenue control limit and the transportation support level.
 - b. Expenses for excess utilities, desegregation, bond issues and registering warrants.
 - c. The necessary amount for tuition loss.
 - d. Small school adjustments.
 - e. Liabilities in excess of the school district budget.
 - f. Adjacent ways.
 - g. The amount not captured by QTR due to properties that pay a government property lease excise tax.
 - h. An amount not levied due to an underestimated average daily membership or a judgement on a property tax appeal.
 - i. An amount that corrects an outstanding cash deficit.
3. Eliminates the 4% cap on school district budget balance carryforwards.
4. Strikes the requirement for school districts to use any remaining maintenance and operation (M&O), unrestricted capital outlay and adjacent ways monies leftover after encumbrances to reduce taxes.
5. Decreases a school district's portion of its local tax revenues dedicated towards property tax delinquencies and accommodations for decreases in assessed value after a natural disaster necessary to trigger supplemental state aid from 20% to 10%.
6. Requires monies remaining after a construction project authorized by a bond or after the sale of a bond, to be used to reduce school district taxes.
7. Makes technical and conforming changes.

CURRENT LAW

A.R.S. § 15-943.01 allows a school district governing board to budget any M&O budget balance from the current fiscal year for use for M&O in the following budget year. The maximum amount that may be carried forward annually is 4% of the school district's Revenue Control Limit for the current year.

Each school district is required to prepare a list of encumbrances before July 1st of each year for the following budget year and file an advice of encumbrance with its respective county board of supervisors before July 18th. The county board of supervisors is required to encumber amounts included in year to date expenditures not exceeding the budget and that are available to pay liabilities. Any cash balance remaining for M&O, unrestricted capital outlay and adjacent ways after encumbrances will be budgeted for the following budget year and must be used to reduce school district taxes (A.R.S. § 15-906).

A.R.S. Title 15, Chapter 9 outlines school finance and budgeting. School districts annually determine their budget capacity through a weighted per-student statutory funding formula. A school district will levy a rate against its tax base to receive the amount needed to reach its determined budget capacity. The rate that may be levied for a school district is statutorily capped at the maximum QTR. If a district levies the maximum QTR and has not received sufficient monies to reach its budget capacity, the state provides the remainder as Equalization Assistance. The QTR is subject to Truth in Taxation requirements and in Fiscal Year 2016 is capped at \$2.0977 for high school and elementary districts and \$4.1954 for unified districts. Statute provides school districts additional taxation authority outside of the general budget limit for items such as adjacent ways, desegregation and small school adjustments.